



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

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Application of Southern California Edison
Company (U 338-E) for Authority to Increase
Rates for its Class C Catalina Water Utility and
Recover Costs from Water and Electric
Customers.

Application 20-10-____

APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)
FOR AUTHORITY TO INCREASE RATES FOR ITS CLASS C CATALINA WATER
UTILITY AND RECOVER COSTS FROM WATER AND ELECTRIC CUSTOMERS

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Dated: **October 30, 2020**

**APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) FOR
AUTHORITY TO INCREASE RATES FOR ITS CLASS C CATALINA WATER UTILITY
AND RECOVER COSTS FROM WATER AND ELECTRIC CUSTOMERS**

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I.

INTRODUCTION

Pursuant to California Public Utilities Code Section 701 and Rules 2.1 and 3.2 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), Southern California Edison Company (SCE) respectfully submits this Application for a Test Year 2022 General Rate Case (GRC) for its Santa Catalina Water utility (Catalina Water). This Application seeks recovery of various costs from SCE's Catalina water customers and system-wide electric customers.

A. Summary Of Request

SCE requests the Commission approve as just and reasonable:

(1) An authorized base revenue requirement (ABRR) of \$9.303 million from Catalina water customers, to be phased-in over a five-year period from 2022-2026;

(2) A broader allocation of \$28.969 million in extraordinary drought and environmental costs, and deferred revenues resulting from SCE's revenue requirement phase-in proposal, for recovery from SCE's system-wide electric customers;

(3) SCE's ratemaking and rate design proposals consistent with the cost-recovery requests made in this Application.

A summary of SCE's proposed cost revenue requirement for recovery from Catalina water customers is provided in Table I-1 below:

Table I-1
Test Year 2022 Catalina Water GRC
Summary of Proposed Revenue Requirement for Recovery from Water Customers
(Nominal \$000s)

| Line No. | Item | Last Authorized Test Year (2011) | Last Recorded Year (2019) | Proposed Test Year (2022) |
|----------|-----------------------------------|----------------------------------|---------------------------|---------------------------|
| 1 | Total Revenue Requirement | 4,130 | 3,629 | 9,303 |
| 2 | Rate Base | 10,709 | 15,470 | 15,912 |
| 3 | Rate Base Difference | n/a | 4,761 | 5,203 |
| 4 | Rate Base Difference (%) | n/a | 44% | 49% |
| 5 | Operating Expenses | 2,841 | 4,533 | 6,360 |
| 6 | Operating Expenses Difference | n/a | 1,692 | 3,519 |
| 7 | Operating Expenses Difference (%) | n/a | 60% | 124% |
| 8 | Rate of Return (%) | 7.90% | (5.84%) | 7.68% |

A summary of the estimated impact to electric customers of SCE's cost-sharing proposal from 2022-2025 are shown in Table I-2 below.

Table I-2
Estimated Impacts to Electric Customers Due To SCE's Cost Recovery Proposal
(Nominal \$000s)

| Item | 2022 | 2023 | 2024 | 2025 | Total |
|--|----------|---------|---------|---------|----------|
| Deferred Revenue Requirement Tracking Account | \$4,138 | \$3,104 | \$2,069 | \$1,035 | \$10,346 |
| Drought Related Memorandum Accounts | \$11,599 | \$0 | \$0 | \$0 | \$11,599 |
| Capital Expenditures | \$7,024 | \$0 | \$0 | \$0 | \$7,024 |
| Total Catalina Water Cost Transfer | \$22,761 | \$3,104 | \$2,069 | \$1,035 | \$28,969 |
| Estimated Monthly Bill Increase - Non-CARE Residential | \$0.19 | \$0.03 | \$0.02 | \$0.01 | N/A |
| Estimated Monthly Bill Increase - CARE Residential | \$0.13 | \$0.02 | \$0.01 | \$0.01 | N/A |

SCE acknowledges that the revenue increase proposed in this Application is significant and will have an impact on water customers. However, SCE believes it is appropriately seeking recovery for the extraordinary and necessary costs incurred since the previous 2011 Catalina

Water General Rate Case (2011 Water GRC) so that SCE can continue to provide safe and reliable water service for many decades into the future. In consideration of the magnitude of the costs SCE seeks to recover, SCE has developed a cost-recovery strategy that strikes a reasonable balance between Catalina customers who live and operate businesses on the island and the island's indirect customer base who visit to enjoy the broad set of tourist and recreation activities found uniquely on Catalina. SCE notes that the Commission has addressed cost-sharing issues in connection with electric service to Catalina, ultimately concluding that in order to maintain just and reasonable electrical rates on Catalina that cost-sharing between and among SCE's Catalina and California mainland electric customers was justified.¹ SCE notes this not as binding precedent, but only to emphasize the long-history and persistence of rate-affordability issues on Catalina and how cost-sharing with SCE's California mainland electric customers has been applied in the past to mitigate against large Catalina rate increases to recover the high costs of service on the island. The cost challenges and ratemaking options for the Catalina water utility merit deliberate consideration, active discourse among all stakeholders, and novel regulatory solutions.

B. Summary Of Primary Cost Drivers For SCE's Request

Operating a water utility has many inherent challenges and these challenges are compounded when operating a small water utility on a semi-arid (desert) island over rural and rugged terrain. Consequently, normal operating activities involved in the sourcing, distribution, and delivery of water to Catalina's customers require more capital, more labor, and more time resources than would be required for a similarly sized water utility on the California mainland. As further explained in supporting testimony and workpapers submitted in the GRC, the primary cost drivers for SCE's request are: 1) increased operating expenses; 2) routine capital

¹ D.93129 (merging Catalina Energy Cost Adjustment Clause (ECAC) rates with California mainland ECAC rates for SCE customers); D.82-03-059 (merging Catalina and California mainland electric rates for SCE customers).

infrastructure investment; 3) the recent historic drought; and 4) emergent environmental compliance issues. SCE briefly addresses these cost drivers below.

1. Operating Expenses

SCE's existing operating expenses were authorized in the 2011 Water GRC based on 2009 operating data. Since 2009, there have been numerous substantial increases in Catalina operating expenses, particularly in labor, added facilities to meet water supply needs and comply with drinking water regulations, and increased contract work and general office support to ensure safe and reliable service. The increased operating expenses are due to various factors, including challenges presented by Catalina's physical location, rugged terrain, and limited water resources to operate and maintain substantial infrastructure required to produce, treat, and distribute the water. Indeed, there are nearly 50 miles of transmission and distribution pipeline in the Catalina water system to cover 76 square miles of service territory (roughly the size of the city of Riverside). In addition, SCE has added numerous facilities in recent years in response to historic drought conditions (discussed below) or to meet regulatory requirements. These necessary improvements often result in increased expenses to operate and maintain the facilities. The increased operating expenses include internal SCE labor, materials, and contract costs for water quality analysis and report preparation, to name a few. All cost increases associated with added facilities or changes in compliance requirements are incremental to the operating expense amounts authorized in the 2011 Water GRC.

2. Capital Projects

SCE has executed numerous infrastructure replacement and operational improvement capital projects since the 2011 Catalina GRC, which did not include a capital forecast. Consequently, SCE's current capital expenditures for recovery date back to 2012. Since that time, SCE completed 24 capital projects supporting SCE's existing water system

assets totaling \$15.251 million in capital expenditures.² These capital projects include substantial infrastructure installations or replacements, safety improvements, and regulatory compliance projects. In addition to recovering costs for in-service capital projects, SCE also is proposing to invest another \$5.201 million in capital from 2020 to 2024 to support continued safe and reliable water utility service in the future. The 2020-2024 proposed projects represent the minimum capital investment required to maintain water supply adequacy, regulatory and contract compliance, and implement essential infrastructure replacements and operational improvements in the water utility.

3. Drought

Drought is a recurring aspect of the California climate, and Catalina is especially vulnerable to drought conditions due to the fact that it is an isolated water system. In addition to implementing its well-established conservation and rationing plan from June 1, 2013 until February 15, 2019, when SCE lifted all stages of the plan,³ SCE's response to the recent historic drought included significant incremental capital investments and operating expenditures in advance of any authorization for cost recovery. In particular, SCE executed drought-related capital projects totaling \$4.752 million in capital expenditures,⁴ and completed numerous O&M projects to maintain water service and monitor water supply conditions throughout the historic drought.⁵ When considering these actions, it is important to recognize that because Catalina is isolated, it cannot benefit from snowfall/rainfall experienced in other parts of the state. Therefore, a localized drought on Catalina can have even greater negative impacts on SCE's operation of the Catalina water utility than what would be experienced by other water utilities in the state.

² Excluding external contributions.

³ Effective date of Advice 89-W and Advice 109-W, respectively.

⁴ Net of DWR grant award for Desalination Plant 2 at \$2.1 million.

⁵ See Exhibit SCE-05 for a discussion of SCE's response to the recent historic drought conditions.

In this Application, SCE requests to recover the balances tracked in two drought related memo accounts – the Catalina Water Rationing Memorandum Account (CWRMA or “Drought Memo Account”) and Catalina Water Lost Revenue Memorandum Account (CWLRMA or “Lost Revenue Memo Account”).

4. Environmental

SCE has invested significant capital and incurred considerable expense to maintain compliance with state and federal environmental regulations while maintaining safe and reliable service to water customers. Subsequent to the 2011 Water GRC, SCE executed multiple environmental-related capital projects totaling \$2.451 million in capital expenditures.⁶ The primary environmental compliance activity during this time was the comprehensive rehabilitation of a one million-gallon water storage tank (MGT) used for domestic service and dedicated fire protection for the USC Marine Lab and community of Two Harbors on the island’s west end. The rehabilitation involved removing a coal tar enamel (CTE) interior lining that contained polychlorinated biphenyls (PCBs). In addition, SCE rehabilitated another smaller water tank that contained a lead-based exterior coating and demolished an out-of-service water tank that also contained lead-based coatings.

During the completion of the MGT project in 2015, SCE identified similar environmental conditions in the Two Harbors Pipeline supplying the MGT. The Two Harbors Pipeline, which contains a CTE interior lining and exterior coal-tar and asbestos wrap, traverses approximately nine-miles from just below the Thompson Dam in the Middle Ranch area over rugged and rural terrain to the MGT located near Two Harbors. At the time of installation of the Two Harbors Pipeline in the mid-1960s, CTE had been widely used to protect steel pipelines and tanks from corrosion. When used as an external coating, the coal-tar was reinforced with fibrous wraps, typically consisting of asbestos felt material. SCE has confirmed that various components

⁶ Net of reimbursement from USC for Million Gallon Tank projects.

in the Catalina water system, including portions of the Two Harbors Pipeline, have interior CTE linings containing PCBs and/or exterior coal-tar wraps containing PCBs and asbestos, common industry practices when the components were first installed. Out of an abundance of caution, SCE has installed filtration systems on the services of customers supplied directly from the Two Harbors pipeline. Additionally, SCE has conducted extensive water sampling along the distribution system and Two Harbors pipeline to assess the possible presence of PCBs in drinking water. To date, all water sample results have been non-detect for PCBs. SCE continues to collect water samples from multiple locations across the island and is confident the water provided to customers is safe and complies with all applicable drinking water standards.

SCE is currently in the process of identifying and evaluating options to replace the service provided by the Two Harbors pipeline in order to decommission the Two Harbors Pipeline while maintaining safe and reliable service to customers. Whereas the Two Harbors pipeline project need has been identified, it is not included this GRC request. SCE plans to file a subsequent, separate application requesting authorization to recover the costs of the Two Harbors pipeline replacement and associated environmental remediation projects. SCE is in the process of completing a system-wide assessment,⁷ in addition to preliminary engineering and alternatives analysis, that will be utilized as a basis for SCE's future request for cost recovery for the Two Harbors pipeline project once proposed.

C. Specific Rate Design Requests

As explained in further detail in Exhibit SCE-07, utility rate designs should be equitable, support public policy goals, and maintain consistency with standard rate design practices for efficient review by other parties, including regulators. SCE ratemaking proposals meet these objectives. To implement the rate increases requested in this Application, SCE proposes to:

⁷ In A.20-04-010 SCE requested a Catalina Water Pipeline Assessment Memorandum Account to track and record the costs of performing the system-wide assessment.

- Maintain the existing rate design structure and principles as adopted in D.14-10-048;
- Increase the CARE discount percentage from 20% to 32.5% to support low-income ratepayer assistance and affordability;
- Maintain the CARE naming convention for SCE's low-income ratepayer assistance program;
- Discontinue SCE's pilot revenue decoupling program and transition to a Monterey-Style Water Revenue Adjustment Mechanism (WRAM) with an Incremental Cost Balancing Account (ICBA);
- Phase-in the test year 2022 revenue requirement over five years;
- Track deferred revenues resulting from SCE's phase-in proposal in the Deferred Revenue Requirement Tracking Account (DRRTA); and
- Recover the balance recorded in the DRRTA in rates from electric customers on an annual basis over the phase-in period.

SCE summarizes the principal aspects of its ratemaking proposal below.

1. Phase-In of Proposed Revenue Requirement for Catalina Water Customers

SCE's proposed Test Year 2022 revenue requirement of \$9.303 million represents a 125 percent increase above the current authorized revenue requirement of \$4.130 million. To mitigate the impact of this rate increase for Catalina water customers, SCE proposes to phase-in the revenue requirement increase over a five-year period (2022-2026), such that SCE will recover the proposed test year 2022 revenue requirement by the beginning of 2026. SCE proposes to phase-in the revenue requirement by increasing Catalina Water revenue requirement by \$1.04 million annually over the five-year period. This results in a year over year revenue requirement increase of 25 percent, 20 percent, 17 percent, 14 percent, and 13 percent in years

2022 to 2026, respectively. The Commission has previously authorized rate phase-in plans for the Catalina water utility, in both the Test Year 1983⁸ and Test Year 2006⁹ GRC decisions.

SCE proposes to track the revenue deferrals (i.e., revenue requirement not reflected in water rate levels) and subsequent years recovery of SCE's Test Year 2022 revenue requirement in the DRRTA.¹⁰ The DRRTA was authorized in the Commission's decision in SCE's 2006 Water GRC to implement the revenue requirement phase-in proposal.¹¹ SCE proposes to transfer the deferred revenues resulting from SCE's revenue requirement phase-in proposal for recovery in electric utility rates on an annual basis through 2026. This will support the stabilization of Catalina water rates over the GRC period.

2. Cost Recovery Proposal On Electric Rates

SCE's revenue request in this Application represents the actual cost of service for Catalina Water for prudently and reasonably incurred O&M expenses and capital expenditures. SCE recognizes, however, that these costs, if spread over the relatively small Catalina Water customer base (approximately 2,000 customers), would translate into significant rate increases. To mitigate against this rate impact, SCE proposes transferring the combined balances of the drought-related memorandum accounts, estimated to be \$11.599 million as of December 31, 2021, historical Catalina water capital expenditures, estimated to be \$7.024 million in as of December 31, 2019, and the balance of the DRRTA, estimated to be \$10.364 million over the five-year phase-in period, to the distribution sub-account of the Base Revenue Requirement Balancing Account (BRRBA) for recovery in electric rates. Upon Commission approval of the reasonableness and recoverability of the costs included in this GRC and the cost recovery proposal, SCE would file a Tier 1 advice letter to transfer these costs to the distribution sub-account of the BRRBA for recovery through electric rates from all (bundled and direct-access

⁸ D.83-10-045, Ordering Paragraphs Nos. 2 and 3.

⁹ Resolution W-4665, Ordering Paragraph No. 6.

¹⁰ Preliminary Statement L.

¹¹ Resolution W-4665, Ordering Paragraph No. 8.

customers) across SCE's service territory as an expense. The proposed sharing of water system costs will maintain reasonable monthly bills for Catalina water customers while providing SCE an opportunity to recover its costs of water service. SCE proposes to transfer these amounts to be collected from SCE electric customers on a dollars per kilowatt hour basis.

D. Exhibits Supporting SCE's Request

SCE's Application is accompanied by the following exhibits:

SCE-01 -- Policy

SCE-02 -- Operations

SCE-03 -- Capital Projects

SCE-04 -- Rate Base, Depreciation, and Taxes

SCE-05 -- Memorandum and Balancing Accounts

SCE-06 -- Results of Operation, Escalation, and Post-Test Year Ratemaking

SCE-07 -- Rates

II.

STATUTORY AND REGULATORY REQUIREMENTS

A. Statutory and Other Authority (Rule 2.1)

SCE files this Application pursuant to Section 701 of the California Public Utilities Code; Rule 2.1 of the Commission's Rules of Practice and Procedure; and prior decisions, orders and resolutions of the Commission and other authorities.

B. Legal Name and Correspondence – Rules 2.1(a) and 2.1(b)

Pursuant to Rules 2.1(a) and 2.1(b),¹² the legal name of the applicant is Southern California Edison Company. SCE is a public utility organized and existing under the laws of the

¹² Rule 2.1(a) requires the application to state the exact legal name of the applicant and location of its principal place of business, and, if a corporation, the state under the laws of which the applicant was organized. Rule 2.1(b) requires the application to state the name, title, address, telephone number,

Continued

state of California. The location of SCE's principal place of business is: 2244 Walnut Grove Avenue, Rosemead, California.

Correspondence or communications regarding this Application should be addressed to:

Case Administration
Southern California Edison Company
Post Office Box 800
8631 Rush Street
Rosemead, California 91770
Telephone: (626) 302-8164
E-mail: Case.Admin@sce.com

C. **Proposed Categorization, Need For Hearings, Issues To Be Considered, Procedural Schedule – Rule 2.1(c)**

1. **Proposed Categorization**

SCE proposes that this Application be categorized as a ratesetting proceeding pursuant to Commission Rule of Practice and Procedure 1.3(e) and 7.1(e)(2).

2. **Need for Hearings**

SCE understands the necessary scrutiny of SCE's 2022 Catalina GRC Application that will need to be applied by the Commission during this proceeding, and believes that evidentiary hearings may be required.

3. **Issues To Be Considered**

The need for hearings and the issues to be considered in such hearings will depend in large part on the degree to which other parties contest SCE's request. The principal issues presented in this Application are:

facsimile transmission number, and e-mail address of the person to whom correspondence or communications in regard to the application are to be addressed.

(1) Whether the Commission should adopt as just and reasonable SCE's request for an ABRR of \$9.303 million from Catalina water customers, to be phased-in over a five-year period from 2022-2026?

(2) Whether the Commission should adopt as just and reasonable SCE's request for a broader allocation of \$28.987 million in extraordinary drought and environmental costs, and deferred revenues resulting from SCE's revenue requirement phase-in proposal, for recovery from SCE's electric customers?

(3) Whether the Commission should adopt as just and reasonable SCE's ratemaking and rate design proposals consistent with the cost-recovery requests made in this Application?

4. Procedural Schedule

SCE's proposed procedural schedule is based, in part, on the model schedule adopted for the Water Rate Case Plan in D.07-05-062,¹³ which assumes that evidentiary hearings will be held. SCE hopes that the issues to be addressed in this Application can be resolved through alternative dispute resolution. To accommodate potential settlement, SCE's proposed schedule provides for a settlement conference pursuant to Rule 12.1. Finally, SCE requests that the Commission adopt a schedule to accommodate virtual hearings to the extent the COVID-19 pandemic remains ongoing. To the extent concerns regarding the pandemic subside and in-person hearings are held, SCE requests that at least a portion of the evidentiary hearings be held in southern California. The witnesses that sponsor SCE's proposals in this Application reside in southern California. Travel to and from the Commission's San Francisco offices for those witnesses, plus SCE's attorneys and other support staff, is costly, both in terms of direct costs and time away from other duties, and those costs are ultimately passed on to SCE's ratepayers. In addition, to the extent there are protests to this Application, SCE anticipates that many of

¹³ Pursuant to guidance SCE received from the Commission, SCE is filing this Application on Day 0 of the 14-month schedule in the RCP, without first filing a Proposed Application.

intervenors filing such protests will be located in southern California. For the same reasons, SCE also requests that the evidentiary hearings in this case be webcast.

***SCE 2022 Catalina Water General Rate Case
Proposed Schedule***

| Event | Date |
|--|-------------|
| File Application and Serve Testimony | 10/30/2020 |
| Protest Period | 11/19/2020 |
| Response Period | 11/29/2020 |
| Public Workshop | 12/14/2020 |
| Pre-Hearing Conference | 12/29/2020 |
| Public Participation Hearings (as needed) | 1/28/2021 |
| Intervenor Testimony | 5/3/2021 |
| Rebuttal Testimony | 6/2/2021 |
| Evidentiary Hearings (if necessary) | 6/17/2021 |
| Rule 12.1 Settlement Conference | 8/1/2021 |
| Opening Briefs Filed | 8/16/2021 |
| Reply Briefs Filed | 8/31/2021 |
| Update Testimony and Hearings (if necessary) | 9/25/2021 |
| Water Division Technical Conference | 10/15/2021 |
| Proposed Decision | 12/4/2021 |
| Comments on Proposed Decision | 12/24/2021 |
| Reply Comments on Proposed Decision | 12/29/2021 |
| Final Decision | 1/13/2022 |

D. Organization and Qualification to Transact Business - Rule 2.2

In compliance with Rule 2.2,¹⁴ a copy of SCE's Certificate of Restated Articles of Incorporation, effective on March 2, 2006, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 14, 2006, in connection with

¹⁴ Rule 2.2 requires the applicant, in this case SCE, to submit a copy of its organizing documents and evidence of its qualification to transact business in California, or to refer to that documentation if previously filed with the Commission.

Application No. 06-03-020, and is incorporated herein by this reference pursuant to Rule 2.2 of the Commission's Rules of Practice and Procedure.

A copy of SCE's Certificate of Determination of Preferences of the Series D Preference Stock filed with the California Secretary of State on March 7, 2011, and presently in effect, certified by the California Secretary of State, was filed with the Commission on April 1, 2011, in connection with Application No. 11-04-001, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series E Preference Stock filed with the California Secretary of State on January 12, 2012, and a copy of SCE's Certificate of Increase of Authorized Shares of the Series E Preference Stock filed with the California Secretary of State on January 31, 2012, and presently in effect, certified by the California Secretary of State, were filed with the Commission on March 5, 2012, in connection with Application No. 12-03-004, and are incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series F Preference Stock filed with the California Secretary of State on May 14, 2012, and presently in effect, certified by the California Secretary of State, was filed with the Commission on June 29, 2012, in connection with Application No. 12-06-017, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series G Preference Stock filed with the California Secretary of State on January 24, 2013, and presently in effect, certified by the California Secretary of State, was filed with the Commission on January 31, 2013, in connection with Application No. 13-01-016, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series H Preference Stock filed with the California Secretary of State on February 28, 2014, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 24, 2014, in connection with Application No. 14-03-013, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series J Preference Stock filed with the California Secretary of State on August 19, 2015, and presently in effect,

certified by the California Secretary of State, was filed with the Commission on October 2, 2015, in connection with Application No. 15-10-001, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series K Preference Stock filed with the California Secretary of State on March 2, 2016, and presently in effect, certified by the California Secretary of State, was filed with the Commission on April 1, 2016, in connection with Application No. 16-04-001, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series L Preference Stock filed with the California Secretary of State on June 20, 2017, and presently in effect, certified by the California Secretary of State, was filed with the Commission on June 30, 2017, in connection with Application No. 17-06-030, and is incorporated herein by this reference.

Copies of SCE's latest Annual Report to Shareholders and its latest proxy statement sent to its stockholders has been filed with the Commission with a letter of transmittal dated March 13, 2020, pursuant to General Order Nos. 65-A and 104-A of the Commission.

E. Balance Sheet And Income Statement – Rules 2.3 and 3.2(a)(1)

Appendix A to this Application contains copies of SCE's balance sheet as of June 30, 2020, and income statement for the period ended June 30, 2020, the most recent period available.

F. Present And Proposed Rates – Rule 3.2(a)(2) And Rule 3.2(a)(3)

The presently effective rates proposed to be changed, and the changes proposed to be made thereto are addressed in Exhibits SCE-06 and SCE-07. Proposed tariff sheets reflecting our revenue allocation and rate design proposals are included as an appendix to testimony provided in support of this Application.

If SCE's rate request is approved by the CPUC, the average residential bill with a 5/8" meter using 1,466 gallons per month would increase by approximately \$29.03 or 40% per month in 2022 (see Table II-3 below) up to approximately \$20.33 or 13% in 2026 (see Table II-4 below). SCE is proposing to phase-in the revenue requirement over a five-year period to mitigate

rate shock in the test year, and thus in the tables below, SCE is showing the impact of the initial rate increase in Year 1 as well as the impact to collect the full revenue requirement in Year 5. Both the Year 1 and Year 5 proposed water rate increases are calculated above current authorized rates.

Table II-3
Proposed Water Rate Increase Above Current Rates - Year 1 of Phase-in Proposal

| Residential Rates (\$/1,000 gallons) | | | | | | | | |
|---|---------------|--------|-------------------|--------|----------------|--------|------------|------------|
| Customer Group | Current Rates | | Proposed Increase | | Proposed Rates | | % Increase | % Increase |
| | Summer | Winter | Summer | Winter | Summer | Winter | Summer | Winter |
| Non-CARE Residential | | | | | | | | |
| 0 - 2,000 gallons (Tier 1) | 24.41 | 12.27 | 15.62 | 7.99 | 40.03 | 20.26 | 64% | 65% |
| 2,001 - 6,500 gallons (Tier 2) | 48.25 | 23.98 | 30.61 | 15.35 | 78.86 | 39.33 | 63% | 64% |
| Over 6,500 gallons (Tier 3) | 72.08 | 35.68 | 45.62 | 22.72 | 117.70 | 58.40 | 63% | 64% |
| Residential - CARE | | | | | | | | |
| 0 - 2,000 gallons (Tier 1) | 19.07 | 9.36 | 7.14 | 3.51 | 26.21 | 12.87 | 37% | 38% |
| 2,001 - 6,500 gallons (Tier 2) | 38.14 | 18.73 | 14.29 | 7.01 | 52.43 | 25.74 | 37% | 37% |
| Over 6,500 gallons (Tier 3) | 57.21 | 28.09 | 21.43 | 10.52 | 78.64 | 38.61 | 37% | 37% |
| Residential Bill Impact for 5/8" Meter (\$/Month) | | | | | | | | |
| Description | Current | | Proposed Increase | | Proposed | | % Increase | |
| Non-CARE Residential bill | \$ | 72.45 | \$ | 29.03 | \$ | 101.48 | 40% | |
| CARE Residential bill | \$ | 73.05 | \$ | 15.97 | \$ | 89.02 | 22% | |
| Non-Residential Rates (\$/1,000 gallons) | | | | | | | | |
| Customer Group | Current Rates | | Proposed Increase | | Proposed Rates | | % Increase | % Increase |
| | Summer | Winter | Summer | Winter | Summer | Winter | Summer | Winter |
| Commercial and Irrigation | | | | | | | | |
| All Usage | 57.68 | 23.38 | 7.11 | 3.17 | 64.79 | 26.55 | 12% | 14% |
| Non-Residential Bill Impact for 5/8" Meter (\$/Month) | | | | | | | | |
| Description | Current | | Proposed Increase | | Proposed | | % Increase | |
| Commercial | \$ | 170.59 | \$ | 26.55 | \$ | 197.14 | 16% | |
| Irrigation | \$ | 101.92 | \$ | 17.83 | \$ | 119.75 | 17% | |

Table II-4
Proposed Water Rate Increase – Year 5 of Phase-in Proposal

| Residential Rates (\$/1,000 gallons) | | | | | | | | |
|--|----------------------|---------------|--------------------------|---------------|-----------------------|---------------|------------------------------|---------------|
| Customer Group | Current Rates | | Proposed Increase | | Proposed Rates | | % Increase % Increase | |
| | Summer | Winter | Summer | Winter | Summer | Winter | Summer | Winter |
| Non-CARE Residential | | | | | | | | |
| 0 - 2,000 gallons (Tier 1) | 64.08 | 32.44 | 8.02 | 4.06 | 72.10 | 36.50 | 13% | 13% |
| 2,001 - 6,500 gallons (Tier 2) | 126.26 | 62.96 | 15.79 | 7.88 | 142.05 | 70.84 | 13% | 13% |
| Over 6,500 gallons (Tier 3) | 188.43 | 93.49 | 23.58 | 11.70 | 212.01 | 105.19 | 13% | 13% |
| Residential - CARE | | | | | | | | |
| 0 - 2,000 gallons (Tier 1) | 41.97 | 20.61 | 5.25 | 2.57 | 47.22 | 23.18 | 13% | 12% |
| 2,001 - 6,500 gallons (Tier 2) | 83.93 | 41.21 | 10.51 | 5.16 | 94.44 | 46.37 | 13% | 13% |
| Over 6,500 gallons (Tier 3) | 125.90 | 61.82 | 15.75 | 7.73 | 141.65 | 69.55 | 13% | 13% |
| Residential Bill Impact for 5/8" Meter (\$/Month) | | | | | | | | |
| Description | Current | | Proposed Increase | | Proposed | | % Increase | |
| Non-CARE Residential bill | \$ | 162.46 | \$ | 20.33 | \$ | 182.79 | 13% | |
| CARE Residential bill | \$ | 142.51 | \$ | 17.83 | \$ | 160.34 | 13% | |
| Non-Residential Rates (\$/1,000 gallons) | | | | | | | | |
| Customer Group | Current Rates | | Proposed Increase | | Proposed Rates | | % Increase % Increase | |
| | Summer | Winter | Summer | Winter | Summer | Winter | Summer | Winter |
| Commercial and Irrigation | | | | | | | | |
| All Usage | 103.73 | 42.51 | 12.98 | 5.32 | 116.71 | 47.83 | 13% | 13% |
| Non-Residential Bill Impact for 5/8" Meter (\$/Month) | | | | | | | | |
| Description | Current | | Proposed Increase | | Proposed | | % Increase | |
| Commercial | \$ | 315.62 | \$ | 39.49 | \$ | 355.11 | 13% | |
| Irrigation | \$ | 191.72 | \$ | 23.99 | \$ | 215.71 | 13% | |

If SCE's rate request is approved by the CPUC, the average electric residential monthly bill using 550 kWh per month would increase by approximately \$0.23 or 0.2% per month in 2022 as shown in Table II-5.

Table II-5
Proposed Electricity Rate Increase and Customer Bill Impacts

| Bundled Average Rates (¢/kWh) | | | | |
|--------------------------------------|----------------------|--------------------------|-----------------------|-------------------|
| Customer Group | Current Rates | Proposed Increase | Proposed Rates | % Increase |
| Residential | 20.9 | 0.04 | 20.9 | 0.2% |
| Lighting - Small and Medium Power | 19.8 | 0.03 | 19.8 | 0.2% |
| Large Power | 14.0 | 0.02 | 14.0 | 0.1% |
| Agricultural and Pumping | 16.0 | 0.02 | 16.0 | 0.2% |
| Street and Area Lighting | 19.9 | 0.01 | 19.9 | 0.1% |
| Standby | 11.6 | 0.01 | 11.6 | 0.1% |
| Total | 18.5 | 0.03 | 18.5 | 0.2% |

| Residential Bill Impact (\$/Month) | | | | |
|---|----------------|--------------------------|-----------------|-------------------|
| Description | Current | Proposed Increase | Proposed | % Increase |
| Non-CARE residential bill | \$ 127.65 | \$ 0.23 | \$ 127.87 | 0.2% |
| CARE residential bill | \$ 86.36 | \$ 0.15 | \$ 86.51 | 0.2% |

G. Description Of SCE’s Property And Equipment, Original Cost Thereof, And Depreciation Reserve – Rule 3.2(a)(4)

SCE’s service territory is located throughout central and southern California, and includes approximately 200 incorporated communities as well as outlying rural territories. SCE is engaged in the business of generating, transmitting, and distributing electric energy in portions of central and southern California, including Santa Catalina Island (Catalina). SCE also provides water service to Catalina and gas service to the City of Avalon on Catalina. For purposes of this Application, SCE operates a Class C water utility on Catalina, including the City of Avalon and surrounding unincorporated areas in Los Angeles County.¹⁵

Pursuant to Commission Order in Decision No. 49665, dated February 16, 1954, SCE has, since 1954, used straight-line remaining life depreciation for computing book depreciation expense for accounting and ratemaking purposes. The original cost and depreciation reserve applicable to SCE’s property and equipment (utility-wide) are shown in the Balance Sheet

¹⁵ More broadly, SCE is engaged in the business of generating, transmitting, and distributing electric energy in portions of central and southern California. In addition to its properties in California, SCE owns, in some cases jointly with others, facilities located in Nevada, Arizona, and New Mexico, its share of which produces electric energy for the use of its customers in California.

attached as Appendix A of this Application, and in the schedules included with Exhibit SCE-04 of the testimony supporting this Application.

H. Summary Of Earnings – Rule 3.2(a)(5)

A summary of earnings is shown in Table I-1, above. A copy of SCE's authorized summary of earnings is also provided in Appendix B of this Application.

I. Tax Depreciation – Rule 3.2(a)(7)

Pursuant to Commission Decision No. 59926, dated April 12, 1960, SCE uses accelerated depreciation for income tax purposes and “flows through” reductions in income tax to ratepayers within the Commission's jurisdiction for property placed in service prior to 1981. Pursuant to Decision No. 93848 in Order Instituting Investigation (OII) No. 24, SCE uses the Accelerated Cost Recovery System (ACRS) in determining depreciation for federal income tax purposes and “normalizes” the depreciation timing differences to ratepayers for property placed in service after 1980 in compliance with the Economic Recovery Tax Act of 1981. Pursuant to Decision No. 86-01-061 in OII No. 86-11-019, Phase II, SCE uses the Modified Accelerated Cost Recovery System (MACRS) in determining depreciation for federal income tax purposes and, in compliance with the Tax Reform Act of 1986, continues to “normalize” depreciation timing differences to ratepayers for property placed in service after 1986.

J. Proxy Statement – Rule 3.2(a)(8)

Certain classes and series of SCE's and Edison International's (SCE's parent company) capital stock are listed on a “National Securities Exchange” as defined in the Securities Exchange Act of 1934.

The 2020 Edison International and SCE's joint proxy statement was provided to the Commission electronically in compliance with Ordering Paragraph 1 of Decision No. 88-01-063, Condition No. 5d, via email on March 13, 2020.

K. Statement Pursuant To Rule 3.2(a)(10)

Rule 3.2(a)(10) requires that the “application of ... water ... corporations shall separately state whether or not the increase reflects and passes through to customers only increased costs to the corporation for the services or commodities furnished by it.” SCE’s Application includes a request for authorization to add various capital expenditures to rate base. These requested rate base additions would earn a return on, as well as a return of capital. In that sense, SCE’s request in this proceeding is not limited to passing through to customers “only increased costs to the corporation for the services or commodities furnished by it.”

L. Service Of Notice – Rules 3.2(b), 3.2(c), 3.2(d)

As required by Rule 3.2(b), a notice stating in general terms the proposed increases in rates will be mailed to the designated officials of the state and the County of Los Angeles and City of Avalon. As required by Rule 3.2(c), notice will be published in a newspaper of general circulation in each county in SCE’s service territory within which the rate changes would be effective. Finally, pursuant to Rule 3.2(d), notice shall be furnished to Catalina water and SCE electric customers affected by the proposed increase by including such notice with the regular or electronic bills sent to water and electric customers.¹⁶ SCE will be filing its proof of compliance with the Commission as required in Rule 3.2(e).

M. Service List

The official service list has not yet been established in this proceeding. SCE is thus serving this Application on the service list established by the Commission in SCE’s 2011 Catalina GRC (A.10-11-009), the GO 96-B service list for the Catalina Water utility, and SCE’s 2021 electric GRC (A.19-08-013).

¹⁶ To the extent the Commission adopts SCE’s rate recovery proposal detailed in this Application both Catalina water and system-wide SCE electric customers will be affected by the increases proposed in this Application. SCE’s notice plan provides notice to both SCE’s Catalina water and system-wide electric customers accordingly.

III.

CONCLUSION

For the reasons stated herein, SCE respectfully requests the Commission grant the request made in this Application.

Respectfully submitted,

CLAIRE E. TORCHIA
WALKER A. MATTHEWS
GLORIA M. ING

/s/ Gloria M. Ing

By: Gloria M. Ing

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

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October 30, 2020

RULE 1.11 VERIFICATION

I am an officer of the applicant corporation herein and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing document are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 30th day of October, 2020 at Seal Beach, California.

/s/ Carla J. Peterman

Carla J. Peterman

Senior Vice President-Regulatory Affairs

SOUTHERN CALIFORNIA EDISON COMPANY

8631 Rush Street

Post Office Box 800

Rosemead, California 91770

Appendix A

SCE Balance Sheet and Income Statement

SOUTHERN CALIFORNIA EDISON COMPANY

(h) A balance sheet as of the latest available date, together with an income statement covering the period from close of last year for which an annual report has been filed with the Commission to the date of the balance sheet attached to the application.

STATEMENT OF INCOME
SIX MONTHS ENDED JUNE 30, 2020

(In millions)

| | |
|--|-----------------|
| OPERATING REVENUE | <u>\$ 5,760</u> |
| OPERATING EXPENSES: | |
| Purchase power and fuel | 1,996 |
| Other operation and maintenance | 1,600 |
| Wildfire insurance fund expense | 167 |
| Depreciation and amortization | 972 |
| Property and other taxes | 213 |
| Impairment and other | (52) |
| Total operating expenses | <u>4,896</u> |
| OPERATING INCOME | 864 |
| Interest expense | (387) |
| Other income | 134 |
| INCOME BEFORE TAXES | <u>611</u> |
| Income tax benefit | (49) |
| NET INCOME | <u>660</u> |
| Less: Preferred and preference stock dividend requirements | <u>60</u> |
| NET INCOME AVAILABLE FOR COMMON STOCK | <u>\$ 600</u> |

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET
JUNE 30, 2020
ASSETS
(in millions)

UTILITY PLANT:

| | |
|--|--------------|
| Utility plant, at original cost | \$ 51,264 |
| Less- accumulated provision for depreciation and decommissioning | 10,371 |
| | <hr/> 40,893 |
| Construction work in progress | 4,361 |
| Nuclear fuel, at amortized cost | 132 |
| | <hr/> 45,386 |

OTHER PROPERTY AND INVESTMENTS:

| | |
|---|-------------|
| Nonutility property - less accumulated depreciation of \$83 | 162 |
| Nuclear decommissioning trusts | 4,566 |
| Special Funds and Other investments | 65 |
| | <hr/> 4,793 |

CURRENT ASSETS:

| | |
|---|-------------|
| Cash and equivalents | 254 |
| Receivables, less allowances of \$90 for uncollectible accounts | 932 |
| Accrued unbilled revenue | 629 |
| Inventory | 382 |
| Income tax receivables | 122 |
| Prepaid expenses | 49 |
| Regulatory assets | 1,692 |
| Wildfire insurance fund contributions | 323 |
| Other current assets | 145 |
| | <hr/> 4,528 |

DEFERRED CHARGES:

| | |
|---|-----------------|
| Regulatory assets | 6,528 |
| Wildfire insurance fund contributions | 2,606 |
| Operating lease right-of-use assets | 668 |
| Long-term insurance receivable due from affiliate | 803 |
| Other long-term assets | 1,424 |
| | <hr/> 12,029 |
| | <hr/> \$ 66,736 |

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET
JUNE 30, 2020
CAPITALIZATION AND LIABILITIES
(in millions)

CAPITALIZATION:

| | |
|--------------------------------------|---------------|
| Common stock | \$ 2,168 |
| Additional paid-in capital | 4,829 |
| Accumulated other comprehensive loss | (36) |
| Retained earnings | 9,575 |
| Common shareholder's equity | <u>16,536</u> |
| Preferred and preference stock | 2,245 |
| Long-term debt | 16,107 |
| Total capitalization | <u>34,888</u> |

CURRENT LIABILITIES:

| | |
|--|--------------|
| Short-term debt | 475 |
| Current portion of long-term debt | 1,029 |
| Accounts payable | 1,657 |
| Accrued interest | 289 |
| Customer deposits | 281 |
| Regulatory liabilities | 857 |
| Current portion of operating lease liabilities | 64 |
| Other current liabilities | 949 |
| | <u>5,601</u> |

DEFERRED CREDITS:

| | |
|--|------------------|
| Deferred income taxes and credits | 6,708 |
| Pensions and benefits | 223 |
| Asset retirement obligations | 3,013 |
| Regulatory liabilities | 8,395 |
| Operating lease liabilities | 604 |
| Wildfire-related claims | 4,561 |
| Other deferred credits and other long-term liabilities | 2,743 |
| | <u>26,247</u> |
| | <u>\$ 66,736</u> |

Appendix B

Authorized Summary of Earnings

Catalina Water Summary of Earnings
2011 GRC Authorized Revenue Requirement
Thousands of Dollars

| Line No. | Item | Total |
|-------------|------------------------------|--------|
| 1. | Base Revenues | 4,130 |
| 2. | Expenses: | |
| 3. | Operation & Maintenance | 2,995 |
| 4. | Depreciation | 667 |
| 5. | Taxes | (225) |
| 6. | Revenue Credits | (154) |
| 7. | Total Expenses | 3,284 |
| 8. | Net Operating Revenue | 846 |
| 9. | Rate Base | 10,709 |
| 10. | Rate of Return | 7.90% |